

BILL # 2174

TITLE: Electronic Medical Claims Submission System

SPONSOR: Biggs

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Timothy Sweeney/Shelli Carol

FISCAL ANALYSIS

Description

Requires the Arizona Health Care Cost Containment System (AHCCCS), the Arizona Department of Administration (ADOA), and the Arizona State Retirement System (ASRS) to establish and use an electronic medical claims submission system as the sole means of receiving medical claims. This legislation would also require use of this system by any third party who processes medical claims on behalf of these agencies.

Estimated Impact

We are unable to determine the net fiscal impact of the bill with the available information. The estimated cost is approximately \$3 - \$12 million in AHCCCS and \$400,000 - \$1.7 million in ADOA. The claims system could potentially produce state savings in the AHCCCS program by increasing the current level of third party insurers who are responsible for the payment of AHCCCS client's medical claims. A potential savings amount, however, cannot be determined.

AHCCCS does not believe that this new electronic system would significantly increase third party payments.

Analysis

One vendor claims to be able to provide a system that meets the requirements of this legislation. Prior to the payment of a medical claim, either by AHCCCS or a contracting health plan, the system in question would query all potential health care payers in North America to determine if the claim in question should be paid by another provider. If the system finds that a person receiving services through AHCCCS, ADOA, or ASRS is covered under another insurance provider, such as Medicare or a private health insurer, the claim in question would be forwarded to the proper payer. Depending on the extent with which these other payers exist and are found, state savings could occur.

This one vendor does not currently perform this service for any other state Medicaid program, though they do have contracts with some private health insurance companies and at least one public hospital system. This vendor regularly charges \$1 per health plan member, per month, however, is offering Arizona an introductory rate of \$0.25 per member per month. Based on total AHCCCS enrollment of nearly 1,000,000 members, JLBC estimates the costs due to implementing this system in AHCCCS at approximately \$3 - \$12 Million per year, depending on the price negotiated with the vendor. If this system does find other payers for medical claims that would otherwise have been paid by AHCCCS health plans, the capitation rates paid per member per month could decrease in the future to reflect any savings generated for the health plans. No information is available, however, that would allow JLBC Staff to estimate either the number, or value, of medical claims that could potentially be avoided by implementing this system. As of this writing, we are awaiting this supporting information from the potential vendor.

AHCCCS does not believe this system will generate significant savings. Currently, AHCCCS contracts with an outside firm to identify cases where another medical payer should pay medical claims. In FY 2003, AHCCCS reports that this contractor successfully avoided approximately \$322 Million in total costs, of which approximately \$100 million would have been paid from the General Fund.

In addition to potential costs and savings in AHCCCS, ADOA and participating employees and employers on the state employee health insurance program would incur implementation and operational costs. At \$0.25 - \$1.00 per enrollee, and assuming current enrollment of approximately 140,000 persons, the cost would range from \$420,000 - \$1,680,000. As mentioned above, if the system finds alternate payers for medical claims that would have otherwise been paid by the ADOA

health plan, future premiums could decline to reflect any realized savings. Depending on the structure of future health insurance plans, this cost would likely lead to higher monthly premiums for state employers, employees or both. The way this additional cost would be passed on to the different parties, and the specific effect on the General Fund would also depend on future health insurance contracts. Finally, ADOA directly pays medical claims for persons in the state workers' compensation system. Currently, ADOA covers approximately 3,000 claimants per month. At the per person rates assumed above, ADOA would incur further administrative costs of approximately \$12,000 to \$36,000.

ASRS contracts with health insurance providers to cover ASRS retirees. Retirees pay all health insurance premium costs. Therefore, any cost in implementing a new submission system would be paid by retirees in the form of higher monthly premiums. Likewise, retirees would benefit from any savings that this new system generates.

Local Government Impact

None.

2/16/04